

to the age of the facility. A weighted average age will be calculated according to the year of initial construction and the year of bed replacement. This differs from the addition of beds in that a certain number of beds have replaced those that were initially constructed. If a facility has a series of additions or replacements, it is assumed that the oldest beds are ones being replaced.

Example: Facility of 120 beds, constructed in 1984, replaced 40 beds in 1999.

Beds	Age	Weighted Average
40	0	0
80	15	1200
120		1200
		10.00

New base year 1989 (As compared to 1999)

Transportation Vehicles

The allowance for expenditures, including but not limited to, gas, oil, repairs, insurance, taxes on vehicles used to transport patients and for other official business purposes is based on the following schedule:

NUMBER OF BEDS

VEHICLES ALLOWED

35 or less

1 vehicle

36 - 75

1 1/2 vehicle

over 75 beds

maximum of 2 vehicles

Recreation vans (RV) - no allowance will be recognized.

1-4 Passenger sports auto-no allowance will be recognized.

Travel log(s) must be maintained for each vehicle in which a reimbursement allowance is recognized showing vehicle identification number, date, driver, beginning and ending odometer readings, passenger names, except for group activities when the number of patients must be recorded, destination and purpose of travel. If the travel logs indicate less than 100% nursing facility business use, only the percentage attributable to nursing facility business use will be recognized.

Expenditures for gas, oil, repairs of transportation vehicles will be allowable to the extent of the number of vehicles permissible under the principles. However, in all cases, the Department of Human Services reserves the right to make the determination of entitlement based upon the facts in each instance. The number of Medicaid patients and the nature of the service provided by a facility will be considered in this determination.

REAL ESTATE AND PERSONAL PROPERTY TAXES

For Medicaid purposes, the allowable real estate and personal property taxes will be the four quarterly amounts due and payable during the reporting year or the tax based upon the assessed valuations of the prior December 31. For example, the amount allowable for calendar year 2001 will be the four quarterly installments due and payable during calendar year 2001 or the total tax based on the December 31, 2000 valuations.

The basis for reporting will be determined by the provider but must remain consistent from year to year.

PERSONNEL COSTS

Compensation of Owners

Compensation to an owner or related individual must be reasonable and associated with patient care in order to be reimbursable.

Criteria for Determining Reasonable Compensation to Owners and/or Related Individuals

In judging for reasonableness, the Chief Long Term Care Reimbursement may use but is not limited to:

1. Comparison with payments to individuals, other than owners, in comparable facilities or industries.
2. Equating responsibilities and functions performed with a satisfactory salary range.

The allowance for fringe benefits must be consistent with the compensation above.

Compensation of Administrators

An administrator must be a duly licensed person in the State of Rhode Island and be responsible for the overall management and supervision of a facility. Administrators must work on a full time basis and be substantiated by appropriate time records. Assistant Administrators working full time or part time must also be substantiated by time records.

Compensation of an administrator is an allowable cost to the extent it does not exceed established maximums governed by bed capacity as shown on the attached schedule, Appendix 'B'. Effective September 1, 1996 Nursing Facilities with a licensed bed compliment of 75 beds or less will be reimbursed based on current allowable costs for the administrator's salary. Said reimbursement will be subject to the ceiling maximums and the provisions as outlined below.

A Nursing Facility with a licensed bed compliment of 75 beds or less that is not fully recognized for reimbursement for the administrator's salary because of the Management Related cost center maximum and whose actual cost is equal to or less than the limitations on Appendix 'B', and is reimbursed for an amount less than the Direct Labor Expenses cost center maximum can receive an amount up to 50 percent of the difference between the Direct Labor cost center maximum and the rate assigned in that cost center to accommodate up to the full administrators salary.

Appendix 'B' will be adjusted annually commencing July 1, 2005 by the amount of percentage change reflected by the Wage and Salary Component of the National Nursing Home Input Price Index as projected by the Centers for Medicare and Medicaid Services for the twelve-month period ending the previous March.

Facilities Operated by Members of a Religious Order

The recognized salary allowance for members of a religious order providing patient care services will be limited to the lower of actual stipend paid on their behalf or the salary equivalent that would be recognized by these Principles of Reimbursement for similar services.

PROFESSIONAL SERVICES

The fees must meet the test of reasonable costs, and must be fully documented by billing which clearly describes the nature of the services rendered.

An example of admissible cost is the fee for legal services in connection with a directive to comply with fire codes regulations. A legal or accounting charge resulting from a buy/sell agreement between related parties is inadmissible. Professional fees associated with future construction must be deferred and included with the project construction costs.

FRINGE BENEFITS

Fringe benefits such as prepaid health insurance, group life insurance, employees child day care, dental plans, and retirement plans, are allowable costs, providing they are offered to all full-time employees. Similar benefits or partial benefits offered to all permanent part-time employees working at least twenty hours per week will also be recognized. Fringe benefits which advantage officers, owners, or other related individuals in a disproportionate manner will be adjusted to reflect equity of application. Fringe benefits by employee classification must be addressed in the facility's personnel and policy manual in order to be recognized. Benefits other than those stated above must have the prior written approval of the Rate Setting Unit and must be reasonable and necessary for the efficient, effective and economical operation of similar facilities participating in the Rhode Island Medicaid Program.

New fringe benefits provided to full time and permanent part time employees

working at least twenty hours per week during a facility's base year will be annualized for prospective calendar years if the cost of the new benefit during the base year was less than a twelve month period. Upgrading and/or substitution of benefits does not qualify for this provision. New fringe benefits must continue through prospective years otherwise a rate reduction will be assigned retroactive to the date benefits were discontinued.

Vacation time and sick leave time are not recognized for reimbursement under the accrual method of accounting and will not be recognized for annualization of new fringe benefits. Vacation time and sick leave time will be recognized as an expense when actually paid to the employee by the facility.

Profit Sharing Plans: Profit sharing plans must continue in prospective periods at a rate equal to the base period. Failure to fund at a level equal to the amount being reimbursed will result in a recovery of reimbursed costs. This will also result in a reduction to the assigned per diem rate of reimbursement.

OTHER OPERATING COSTS

All operating costs, including nursing, medicine chest, and over-the-counter drug supplies which have been determined as reasonable and acceptable will be allowed after reduction for items not related to patient care.

ACCOUNTING AND AUDITING FEES

Accounting and Auditing services are generally a necessary and proper function in the fiscal operation of long term care facilities. Recognized fees associated with these services must be clearly identified by the employed firm as to responsibility, function of activity, hourly billing rate and time element for each function. The Rate Setting Unit shall

determine an appropriate amount for such services to be recognized for reimbursement purposes taking into consideration such factors as; facility employed accountant(s), controller(s), comptroller(s), bookkeeper(s), condition of books and records maintained by the facility, and the necessary direct involvement of the Accounting/Auditing firm.

ROUTINE SERVICES

Expenses pertaining to utilization review of all patients, physical therapy and other remedial therapeutic services will be accepted and considered as routine services for rate calculation.

Expenses pertaining to the services of a Behavior Health Specialist, who is licensed by the State of Rhode Island and is not eligible for direct reimbursement under the Rhode Island Medical Assistance program, will be considered routine services and accepted for rate calculation.

EDUCATIONAL ACTIVITIES

The cost of approved educational activities of full-time employees will be included as an allowable cost provided that such activities are directly related to improving adequate patient care or the administration of the facility. In addition, the activity must be formally organized by a recognized school or organization approved by the State. Educational activities do not cover nurse's aide training and competency evaluation expenditures as these expenditures are not reimbursable through the Medicaid Program.

PHYSICIANS' FEES

Reasonable fees which pertain to utilization review, medical director, employees

physical examinations and services required by OBRA-87 are considered allowable costs.

CONFERENCE EXPENSES

Reasonable expenses related to attendance at meetings and conferences may be allowable subject to the following conditions:

- a. The program offered is approved as one which has the purpose of maintaining or improving the quality of patient care or administration within a facility.
- b. The State shall determine whether there is a direct relationship between the job responsibilities of the person in attendance and the subject matter covered.
- c. Attendance to major out-of-state conferences will be limited to two such conferences with not more than one person attending.

MEDICINE CHEST SUPPLIES, TRANSPORTATION AND LAUNDRY EXPENSES

The per diem and interim per diem rates that are established include the reported expenses of nursing and medicine chest supplies, examples of which are, but not limited to, Appendix 'D'; transportation of patients who can be transported by auto to and from physician's office, dental services, medical laboratories and hospitals for outpatient treatment; as well as laundry expenses including personal laundry with the exception of dry cleaning costs; therefore, facilities must not charge Title XIX patients or their relatives for these services.

INSURANCE

Generally acceptable insurance coverage for business enterprises including the types listed below are reimbursable:

1. Liability Insurance

2. Malpractice Insurance
3. Worker's Compensation
4. Property Insurance

Payment of health and life insurance premiums which provide benefits to an employee or his/her beneficiary are considered fringe benefits and should be claimed as such by the provider. Premiums related to insurance on the lives of officers and key employees which name the provider as beneficiary are not allowable costs. If the individual or his estate are beneficiary, the premiums can be considered compensation to the individual and the cost would be allowable to the extent his/her total compensation is reasonable.

Insurance costs applicable to transportation vehicles will be allowable to the extent of equivalent vehicle units permissible under the principles.

Mortgage insurance premiums are generally not an allowable cost. However, where the principal mortgagee specifically requires that the insurance be obtained as a prerequisite to completing financing arrangements and the insurance agreement stipulates that total proceeds must apply to the mortgage balance, then the premiums shall be reimbursable. The proceeds so applied will be construed as allowed depreciation taken for reimbursement purposes.

START-UP COSTS

"Start-up costs" are defined for the Rhode Island Medicaid Program as those costs incurred for the operation and maintenance of a facility for a period not to exceed six weeks prior to the admission of the first patient. Such costs would include administration

and nursing salaries, heat, gas, electricity, insurance, employee training costs (excluding nurse's aide training and competency evaluation expenditures), repairs and maintenance and any other allowable costs incident to the operation of the facility, but not interest, depreciation and real estate and personal property taxes. In as much as start-up costs would relate to services to patients subsequently admitted to the facility, they are considered to be deferred charges and amortization of these charges will be allowed over a period of 60 months.

COST NOT RELATED TO PATIENT CARE

The following are examples of, but not limited to, items which are not recognized for cost reimbursement purposes:

1. personal expenses,
2. items and services for which there is not legal obligation to pay,
3. business expense not related to patient care,
4. physician fees, prescription drugs and medications, as they are covered by means of a separate program,
5. reimbursed expenses,
6. costs of meals sold to visitors and employees,
7. costs of drugs, items and supplies sold to other patients,
8. cost of operation of a gift shop intended to produce a profit. Where expenses cannot be specifically identified the revenue derived will be used to reduce the total operating expenses of the facility.
9. expenses which exceed amounts under the prudent buyer concept,